



## **Public Utilities Commission Critical to State Economy Responsibility for Essential Services Vital in Challenging Economic Times March 2004**

### **Building Infrastructure and Competition**

Energy, telecommunications, water, transportation: California's economy depends on the infrastructure the PUC and utilities provide. Key projects/issues the PUC is responsible for:

- Completion of 124 electric utility transmission projects since January 2001, adding a total of 12,000 megawatts (MW) of capacity. Another 138 projects under review.
- Ensuring power plants (including merchant generator-owned plants) keep running.
- Ensuring the safe construction, maintenance, and operation of electric and natural gas transmission and distribution systems.
- Approving long-term electricity contracts, including renewable generation, to ensure supply for Californians.
- Funding water filtration and desalinization plants to ensure reliable, adequate water supply.
- Funding water treatment plants to ensure removal of damaging bacterial and carcinogenic contaminants.
- Continuously monitoring natural gas prices and trends for signs of market manipulation. Approving new natural gas storage facilities and upgrades to existing facilities so that more natural gas can be stored in state rather than bought on the spot market at higher costs.
- Evaluating the public interest in funding natural gas infrastructure expansion, including Liquefied Natural Gas (LNG) import facilities, and working to ensure safe and reasonable operation of LNG projects.
- Reviewing the prices for specific telephone network facilities SBC and Verizon lease to competitive carriers so the carriers can offer their own services.
- Approving and monitoring SBC's request to begin long-distance service monitoring.
- Determining the extent to which Voice over Internet Protocol (VoIP) telephony should be subject to Commission regulation.

**Californians spend more than \$38 billion annually for services from industries regulated by the PUC.**

#### **PUC Oversees Critical and Essential Services**

- **Electricity:** 10.476 million customers; \$17.054 billion in revenue; 32,698 miles of transmission lines; 239,112 miles of distribution lines; more than 200 electric generation units
- **Natural Gas:** 9.735 million customers; \$7.621 billion in revenue; 9,365 miles of transmission lines; 92,452 miles of distribution lines
- **Telecommunications:** 41.890 million access lines; 16,491,142 wireless customers; 2,111,093 DSL lines; 60,824,666 numbers assigned; \$14.447 billion in revenue; 1,821 certified carriers
- **Water:** 6.8 million customers; 144 water and 12 sewer utilities; 20 percent of California's drinking water; \$800 million in revenue
- **Railroad Safety:** 10,385 miles of main/branch tracks; 16,016 pieces of railroad equipment; several thousand HAZMAT facilities; 11,200 public railroad crossings; 5,000 private railroad crossings

## Keeping the Lights On

The biggest electricity and natural gas crisis in California's history is not over. The state needs stable energy markets, reliable electricity and natural gas supplies, and adequate transmission systems. The PUC, which regulates 80 percent of electric load in California, is working hard to bring closure to the crisis and prevent another crisis from occurring. Major efforts include:

- Overseeing PG&E's emergence from bankruptcy, lowering PG&E's rates, and ensuring environmental benefits resulting from the bankruptcy settlement.
- Facilitating discussion of a Core/Non-Core market and the importance of establishing certainty in the retail market structure.
- Improving Southern California Edison's credit rating.
- Pursuing refunds from generators: \$3 billion - \$9 billion.
- Implementing a recent natural gas settlement with El Paso, which would result in more than \$1.2 billion returned to California ratepayers.
- Continuing litigation to reduce rates by \$2 billion - \$4 billion under long-term power contracts with generators.
- Ensuring California Department of Water Resources bonds are serviced, ongoing costs covered (\$5 billion DWR Revenue Requirement in 2003).
- Establishing and enforcing the nation's first set of maintenance and operations standards for electric generation facilities (SB 39XX) that will allow the PUC to inspect power plants to prevent another energy crisis and the associated blackouts and price spikes.
- Continuing efforts to ensure sufficient natural gas interstate pipeline capacity is available to meet California demand.
- Implementing capacity reserve requirements of 15-17 percent for all load-serving entities.
- Representing California outside the state before the Federal Energy Regulatory Commission.

## Crucial Steps in 2004

- **Ensuring Utilities' Long-Term Energy Procurement:** Finalizing utility procurement plans. Issues under review include build vs. buy; quantifying state's energy needs; ensuring renewable energy sources are utilized; keeping the lights on for a reasonable price.

- **Ensuring Generation:** Approved Edison's purchase of Mountainview power plant; Considering SDG&E's Otay Mesa and Palomar plant proposals.

---

## Lowering Electric Rates

- PUC was forced to raise rates by 40 percent during the energy crisis.

- PUC began lowering rates this year - Edison's rates lowered 19 percent in July 2003; PG&E's rates lowered by about \$800 million as of January 2004 (SDG&E rates still at highest levels).

- PUC currently completing energy proceedings affecting future rates and pursuing refunds from generators.

---

## Universal Service Programs

The PUC oversees nearly \$1 billion in telecommunications consumer programs including the California Lifeline Fund, California Teleconnect Fund, Deaf and Disabled Telecommunications Program, and California High Cost Funds, all of which provide much-needed services to the state's consumers and communities.

## Keeping Rates Down

The PUC sets electric, telecommunications, and water rates for business, agriculture, and residential consumers. To keep rates down, the PUC is:

- Conducting General Rate Cases for PG&E, Southern California Edison, SoCal Gas, SDG&E, Cal Water, CalAm, and Southern Cal Water. Collectively, these utilities are asking for \$1.2 billion in rate increases.
- Working to bring down energy rates that were increased during the energy crisis.
- Representing consumer interests in the California Independent System Operator's wholesale market rule redesign.
- Auditing utilities to reduce the potential that consumers will be burdened with overstated costs.
- Overseeing programs funded by telephone surcharges totaling \$885 million to assure affordable prices and services for more than 30 million Californians, funding 3.8 million rural access lines, assisting 4,200 community-based organizations, and providing 400,000 pieces of equipment for the deaf and disabled.

## Watching Out For Consumers

The PUC is the only agency in the state charged with protecting private utility consumers. The PUC receives 400,000 consumer contacts and 50,000 complaints each year and is the main line of defense against consumer fraud and abuses such as slamming and cramming, utility overcharging, service cutoffs, and the targeting of low-income, non-English-speaking communities.

- **Ensuring High Quality Utility Service** – The PUC is responsible for ensuring that utilities provide reliable, high quality service to all of their customers. In telecommunications, the PUC is now updating its standards for timely installations, repairs and for access to a live service representative. The PUC reviews service quality for energy and water utilities as part of the regular rate cases (usually every three years). In addition, the large energy utilities are subject to performance incentives that offer rewards for above-standard service and penalties for substandard service.
- **Extending Basic Telephone Service to Rural California** - Assembly Bill 140 mandates the Rural Telecommunication Infrastructure Program. The PUC began implementing this program, which provides up to \$10 million per year to build telecommunications infrastructure in low-income, rural communities currently without service.
- **Broadband Deployment** – In response to a Legislative mandate, the PUC began formal proceedings to review obstacles limiting broadband deployment and to propose solutions making it available to all residents.

### Cutting PUC Budget Hurts Overall State Budget

- PUC is a Constitutional agency funded by surcharge, not the state's General Fund
- PUC budget funds are not available for general use
- PUC generates revenue for the state General Fund: levies fines, provides restitution for consumers
- PUC decisions are critical to economic recovery: prices for business and industry must be brought down; small customers need protection

### Pending Consumer Bill of Rights

The PUC's pending Telecommunications Consumer Bill of Rights (BOR) is designed to ensure, among other things, that residential and small business consumers have the right to clear and complete disclosure of terms and conditions of service; choice of company; privacy of personal information; and accurate bills. The PUC must enforce the BOR and educate consumers about its protections.

- **Telecommunications Enforcement** – Enforcement efforts against telecommunications utilities that engage in cramming, slamming, and other abusive marketing activities has generated \$66.1 million in fines and penalties since 2000. These fines and penalties are deposited in the state’s General Fund.
- **Minimizing The Need for Area Code Changes** – The PUC has successfully managed carriers’ demands for telephone numbers, which greatly reduces the disruption these changes cause for consumers. In the last five years the PUC created only one new area code, instead of the 16 area code changes that were anticipated in the late 1990s.
- **Household Goods Carrier Enforcement** – Hundreds of household goods movers operate unlicensed and illegally, with many holding consumer property hostage until more money is paid, tripling estimates, and stealing property. The PUC is responsible for protecting consumers from this unscrupulous and illegal activity.
- **Water Quality** - Most California water systems have been in existence for more than 50 years. New water contaminants are being discovered, making the PUC’s job of authorizing health and safety clean-ups and treatment facilities crucial. The PUC works with the utilities and consults with the Department of Health Services and the Department of Water Resources to develop usable water sources and identify reasonable funding to provide potable water at reasonable rates to the more than 6 million Californians that the PUC-regulated water utilities serve.

#### **Inter-Agency Enforcement Actions**

The PUC has initiated two critical inter-agency enforcement efforts against household goods carriers that fail to comply with workers’ compensation laws or PUC licensing requirements. The PUC has joined the Employment Enforcement Task Force to eliminate an “underground economy” that exists in the moving industry when licensed moving companies fail to secure workers’ compensation or pay employment taxes for their employees. The PUC has also created a task force along with the California Attorney General and Los Angeles City Attorney to conduct undercover “sting” operations on unlicensed movers throughout California.

### **Ensuring Infrastructure Safety**

- **Rail Infrastructure and Safety** - The PUC oversees the safety of all railroads, six major rail transit agencies, five smaller transit systems, and more than 16,000 public and private crossings. The PUC’s specially trained and federally certified inspectors inspect all tracks (annually), all train equipment and facilities (semi-annually), investigate all rail accidents that result in loss of life and property damage, and ensure the safe transportation of hazardous materials. The PUC has exclusive authority to approve or disapprove all highway-rail crossings.
- **Electric, Natural Gas, and Propane Infrastructure and Safety** - The PUC protects the safety of the public and of utility employees by continuously inspecting facilities and investigating accidents to ensure that electric, natural gas, and propane transmission and distribution systems are constructed and maintained to standards developed by the PUC. The PUC ensures that utilities are identifying problems and correcting them before they cause outages, injuries, deaths, or property damage. Investigations are conducted to determine the cause of utility related deaths, serious injuries, and incidents of major property damage (including fires and explosions). Lessons learned from these inspections and investigations are considered in the PUC’s efforts to continuously improve its safety rules.
- **Homeland Security** - The PUC works with utilities, railroads, and rail transit systems to ensure these organizations have programs responsive to the state’s homeland security needs.